

VZCZCXRO2063  
RR RUEHGR  
DE RUEHKG #0936/01 3082019  
ZNR UUUUU ZZH  
R 032019Z NOV 08  
FM AMEMBASSY KINGSTON  
TO RUEHC/SECSTATE WASHDC 6911  
INFO RUCNCOM/EC CARICOM COLLECTIVE  
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 02 KINGSTON 000936

SIPDIS  
SENSITIVE

STATE FOR WHA/CAR (ACADIEUX) (VDEPIRRO) (WSMITH)  
WHA/EPSC (MROONEY) (FCORNEILLE)  
SANTO DOMINGO FOR FCS AND FAS  
TREASURY FOR ERIN NEPHEW

E.O. 12958: N/A  
TAGS: [ENRG](#) [EAIR](#) [EINV](#) [ECON](#) [ETRD](#) [IADB](#) [IBRD](#) [IMF](#) [TRSY](#) [XL](#) [JM](#)  
SUBJECT: JAMAICA: OCTOBER ECONOMIC REVIEW

REF: A) KINGSTON 993  
B) KINGSTON 755  
C) KINGSTON 286  
D) KINGSTON 279

1. (SBU) SUMMARY:

-- The Government of Jamaica (GOJ) signed the Open Skies Agreement with the United States on October 30.

-- Ministry of Energy rolls out E-10 at gas stations and considers investment in a castor bean biodiesel project.

-- Energy Ministry also announces plans to invest in coal technology for future energy needs, switching away from earlier plans to use natural gas. Chinese investors may be interested in the project.

-- Investors in the multi-billion dollar Harmony Cove real estate project say the global credit crisis will not delay their efforts.

-- The Standard and Poor's Ratings Direct reaffirmed Jamaica's "B" rating, but the outlook was revised to "Negative" from Stable.

-- The GOJ has secured up to USD 600 million in loans from multilaterals helping to repair damage to roads and bridge the budget financing gap. END SUMMARY.

Aviation

1. (U) The United States and Jamaica signed the Open Skies agreement on Thursday October 30. Foreign Affairs Minister Ken Baugh signed on behalf of the Government of Jamaica. Ambassador Brenda Johnson was joined at the signing by Director of the Office of Caribbean Affairs, Velia De Pirro (reftel A).

Energy/Renewable Energy

2. (U) Minister of Energy Clive Mullings launched the roll-out of E10 fuel starting November 1, calling it "a breakthrough for Jamaica as a developing country." E10 comprises 10 percent ethanol and 90 percent gasoline. In a press interview with the Gleaner newspaper on October 31, he said "there are great advantages in buying vehicles that are E10 friendly...it is cheaper...and gives off cleaner emissions." He also announced a 60 percent duty concession on importation of flexi fuel vehicles that run on ethanol blends.

3. (U) The Petcom gas stations are the first to offer E10. The GOJ hopes to have E10 available across the island by May. In a press conference on October 23, Mullings said he was keen to remind his audience of the objectives of the energy policy, in particular employing renewable energy, such as ethanol, and in promoting energy conservation to reduce Jamaica's dependence on imported fuel.

Jamaica's imported oil bill totaled close to USD 2 billion for 2007.

Mullings has been a strong advocate of blended fuels and has said his goal is to eventually offer E85 (85 percent ethanol) in Jamaica (reftels B and C). The GOJ expects that by 2010, E10 will save the country USD 52 million per year by reducing the need for imported fuel.

¶4. (U) Petroleum Corporation of Jamaica (PCJ) is also in the process of looking into a possible castor bean biodiesel project. PCJ has said it is seeking farmers and suitable land for a potential project. Although still in early stages, PCJ hopes the project will produce 400,000 barrels of biodiesel by 2010.

#### Energy/ Coal Trumps LNG

-----

¶5. (SBU) On October 29, Mullings announced that liquefied natural gas (LNG) is no longer an option for Jamaica after the country failed to secure long-term supplies from either Trinidad and Tobago or Venezuela. Instead the GOJ will seek to build coal-fired power plants to support Jamaica's bauxite/aluminum industry. Mullings expressed concerns that the GOJ could not afford an LNG import facility and associated infrastructure due to its high cost, which could be up to USD 600 million. He also said the GOJ did not want the country to have to rely on one fuel type. Currently relies on imported heavy fuel oil and diesel for thermal generators for 90 percent of its energy needs, when world oil prices spiked the cost of energy skyrocketed. Mullings told the Gleaner newspaper that the move to coal is contingent on the island's bauxite/aluminum sector agreeing to coal-fired plants, which would require USD 300-million investment to build out the infrastructure. He said the GOJ was prepared to facilitate the construction of the facility by private

KINGSTON 00000936 002 OF 002

investors.

#### Chinese Interest in Bauxite and Coal

-----

¶6. (SBU) In a meeting with Velia De Pirro, Director of Caribbean Affairs, on October 29, Michael Stern, Minister of State in the Ministry of Industry Investment and Commerce, said China is looking at reviving an old bauxite plant in the St. Ann parish, but warned that the GOJ wanted to ensure that most of the construction jobs would go to Jamaican workers. Mullings also told reporters from the Gleaner newspaper on October 29 that Chinese investors are potentially interested in coal powered co-generation facilities for the bauxite sector. Mullings said an expression of interest was given by Mincenco Limited a subsidiary of U.S. company Century Aluminum which as has a stake in the St. Anne Bauxite business.

#### Real Estate

-----

¶7. (U) Leadership in the multi-billion dollar Harmony Cove real estate project believe they will secure the funding needed for the project despite the current global credit crunch. Harmony Cove is a joint venture between private equity group Tavistock (51 percent) and Jamaican state-owned Harmonization Limited (49 percent). Harmony Cove is a ten-year project that will cover 2,000 acres (Jamaica's contribution to the project) and will consist of luxury hotels and villas surrounded by a yacht club, multiple golf courses, and retail complexes. (reftels D). Construction is to begin in 2009 and with 2,000 hotel rooms and a casino.

¶8. (SBU) In response to the credit crisis, National Commercial Bank's (NCB) Managing Director and Chairman of the Harmonization board Patrick Hylton, Chairman, told reporters on October 31 that his partners have "really deep pockets." He stated, "We can't be in a crisis that long...once the capital markets are freed up, then lending will start again, persons will be comfortable again with asset acquisition." United Kingdom citizen Joe Lewis the owner of Tavistock lost more than USD 800 million by investing in Bear Sterns, just weeks before it collapsed and was bought out by J.P. Morgan at a fraction of its former value.

## Rating

-----

¶9. On October 21 the Standard and Poor's Ratings Direct reaffirmed Jamaica's "B" rating, but the outlook was revised to Negative from stable. The outlook reflects concerns that external pressures are expected to dampen economic growth, strain high government borrowing needs, and weaken the country's external liquidity profile.

## Multilaterals

-----

¶10. (U) Minister Without Portfolio in the Ministry of Finance, Don Wehby, told the Observer newspaper on October 26 that during his recent trip to Washington D.C., he had received commitments from multilateral agencies to meet the balance of Jamaica's external USD 600 million financing for this fiscal year. Wehby said the interest rates, which would be near 5 percent, are "much cheaper" than borrowing on the international capital market. Jamaica has 200 million Euros due on Eurobond in February 2009. There are no other bond issues maturing in the next two years. Jamaica has already has raised USD 250 million in the capital markets earlier in the year. Jamaica also has secured a loan of USD 50 million from the Inter-American Development Bank (IADB) for road repair in the wake of tropical storm Gustav.

JOHNSON